

## ***NEWS RELEASE***

FOR IMMEDIATE RELEASE  
AUGUST 31, 2005

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### **DeNUCCI SAYS UMASS IMPROVES CONTROLS OVER ITS ENDOWMENT AND INVESTMENTS**

State Auditor Joe DeNucci reported today that the University of Massachusetts, acting on his recommendations in an audit on several UMass treasury management issues, has worked to improve the university's investment, endowment and cash management activities.

DeNucci's report found that the UMass treasurer's office needed to improve existing controls over how the university selects its investment managers and how its \$398.5 million in funds are invested. Although most fund managers were selected through competitive bids, there were two instances in which a total of more than \$11.7 million in equity investments were made without doing so. The audit also identified several instances in which investments exceeded the maximum amount allowed to be made in one company under UMass policy. In one case, the university had holdings in a corporation that were over the policy's limit by almost \$11.3 million.

Furthermore, DeNucci's audit revealed that UMass needed to strengthen its monitoring of investment performance. For example, the university reinvested \$18 million with a mutual fund company after its earlier investments with the firm had performed poorly.

In response to DeNucci's recommendations, the UMass Board of Trustees has approved a revised investment policy and will update its policies and procedures on a regular basis. The university's investment committee now monitors the performance of all investment managers on a quarterly basis.

In another finding, DeNucci's audit noted that the treasurer's office transferred responsibility for the university's \$34.3 million endowment to the UMass Foundation, an independent non-profit agency, without a written agreement specifying how the funds were to be administered and at what cost. This left leaving the handling of the endowment open to interpretation and dispute.

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In its response to the audit, UMass officials said the university implemented Auditor DeNucci's recommendation to formalize its arrangement with the foundation by entering into a written agreement with the agency that clearly identifies the responsibilities of both parties.

DeNucci's audit also disclosed that the university has taken corrective action to improve the operation of its unpaid check fund and to comply with the state's Abandoned Property Law. According to the audit, \$3.9 million in funds comprising over 32,000 unpaid checks had not returned to the rightful owners on a timely basis, or transferred to the Commonwealth and the university after the required period of time. In response to DeNucci's audit, the UMass Board of Trustees has taken action to update its unpaid check fund.

In response to other findings in DeNucci's audit, the UMass treasurer's office has improved controls over bank reconciliations and in making sure that the university gets the best value for its banking services.

"The university has worked to improve its financial management as a result of my audit recommendations," said DeNucci. "I anticipate that UMass will continue its commitment to protect and enhance its resources."